

Department of Water Resources

	FY 2017 ACTUAL	FY 2018 ESTIMATE	FY 2019 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	129.0	139.0	139.0
Personal Services	4,102,100	5,181,400	5,181,400
Employee Related Expenditures	1,521,100	2,003,600	1,925,400
Professional and Outside Services	130,400	195,200	195,200
Travel - In State	69,700	159,400	159,400
Travel - Out of State	50,200	67,400	67,400
Other Operating Expenditures	1,369,900	1,651,500	1,651,500
Equipment	321,500	371,500	371,500
OPERATING SUBTOTAL	7,564,900	9,630,000	9,551,800
SPECIAL LINE ITEMS			
Adjudication Support	1,246,000	1,749,500	1,724,800
Assured and Adequate Water Supply Administration	1,630,700	1,998,600	1,977,000
Automated Groundwater Monitoring	235,100	413,100	408,700
Conservation and Drought Program	396,800	412,300	406,900
Drought Contingency Program	0	2,000,000	2,000,000
Lower Colorado River Litigation Expenses	34,100	500,000	500,000
Rural Water Studies	1,091,700	1,168,000	1,154,100
Arizona Water Protection Fund Deposit	0	250,000	250,000
AGENCY TOTAL	12,199,300	18,121,500	17,973,300
FUND SOURCES			
General Fund	11,590,600	16,001,900	15,854,200
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	0	266,800	266,300
Water Banking Fund	0	1,211,400	1,211,400
Water Resources Fund	608,700	641,400	641,400
SUBTOTAL - Other Appropriated Funds	608,700	2,119,600	2,119,100
SUBTOTAL - Appropriated Funds	12,199,300	18,121,500	17,973,300
Other Non-Appropriated Funds	19,987,500	8,229,800	8,229,800
Federal Funds	312,500	253,100	253,100
TOTAL - ALL SOURCES	32,499,300	26,604,400	26,456,200

AGENCY DESCRIPTION — The Department of Water Resources administers and enforces Arizona's groundwater and surface water law, as well as legally representing the state's water rights. The department also participates in surveying water level and quality and planning flood control.

Operating Budget

The Baseline includes \$9,551,800 and 79 FTE Positions in FY 2019 for the operating budget. These amounts consist of:

	FY 2019
General Fund	\$8,199,000
Water Banking Fund	1,211,400
Water Resources Fund	141,400

FY 2019 adjustments are as follows:

Remove Health Insurance Adjustment

The Baseline includes a decrease of \$(78,200) from the General Fund in FY 2019 for the removal of a one-time FY 2018 health insurance adjustment. (Please see the *Technical Budget Assumptions* section.)

Adjudication Support

The Baseline includes \$1,724,800 and 21 FTE Positions from the General Fund in FY 2019 for Adjudication Support. FY 2019 adjustments are as follows:

Remove Health Insurance Adjustment

The Baseline includes a decrease of \$(24,700) from the General Fund in FY 2019 for the removal of a one-time FY 2018 health insurance adjustment.

A.R.S. § 45-256 requires the Department of Water Resources to provide technical and administrative support to judicial proceedings involving water rights claims in the Gila River and Little Colorado River watersheds, which include approximately two-thirds of the land within the state.

Assured and Adequate Water Supply Administration

The Baseline includes \$1,977,000 and 21 FTE Positions in FY 2019 for the Assured and Adequate Water Supply (AAWS) Administration Program. These amounts consist of:

General Fund	1,710,700
AAWS Administration Fund	266,300

FY 2019 adjustments are as follows:

Remove Health Insurance Adjustment

The Baseline includes a decrease of \$(21,600) in FY 2019 for the removal of a one-time FY 2018 health insurance adjustment. This amount consists of:

General Fund	(21,100)
AAWS Administration Fund	(500)

All new subdivisions within the state's 5 Active Management Areas (AMAs) must either obtain a Certificate of Assured Water Supply from the Department of Water Resources or obtain a commitment of water service from a municipal provider designated as having an Assured Water Supply. An applicant for a Certificate of Assured Water Supply or a Designation of Assured Water Supply must demonstrate the availability of water for the next 100 years.

New developers outside the 5 AMAs may obtain a commitment of water service from a municipal water provider designated as having an Adequate Water Supply or developers must obtain from the department a report of the water available to the new subdivision for 100 years before any lots may be sold. In most areas outside the AMAs, if the water supply report determined the

water supply to be inadequate, lots may still be sold, but buyers must be notified of the determination. In certain areas outside the AMAs, lots may not be sold unless the water supply is determined to be adequate for 100 years.

Automated Groundwater Monitoring

The Baseline includes \$408,700 and 2 FTE Positions from the General Fund in FY 2019 for Automated Groundwater Monitoring. FY 2019 adjustments are as follows:

Remove Health Insurance Adjustment

The Baseline includes a decrease of \$(4,400) from the General Fund in FY 2019 for the removal of a one-time FY 2018 health insurance adjustment.

This line item funds automated measuring instruments, which provide daily measurements of groundwater levels. This information is used to support the administration of all the water management programs that the Department is responsible for, including but not limited to, determining assured and adequate water supply, implementation and evaluation of recharge activities, rural water budgets, and water supply studies.

Conservation and Drought Program

The Baseline includes \$406,900 and 5 FTE Positions from the General Fund in FY 2019 for the Conservation and Drought Program. FY 2019 adjustments are as follows:

Remove Health Insurance Adjustment

The Baseline includes a decrease of \$(5,400) from the General Fund in FY 2019 for the removal of a one-time FY 2018 health insurance adjustment.

This line item funds assistance to local communities to assess conservation needs and assists rural communities in the development of conservation programs, promote water education throughout the state, create guidelines for more efficient use of water, and provide suggestions for funding and implementing conservation programs. This line item also funds the department administering the requirements of the Community Water Systems program, including but not limited to annual water use reporting (mailings, electronic notification, and submittals), improvements to increase efficiencies of reporting and data collection, data analysis and compliance.

Drought Contingency Program

The Baseline includes \$2,000,000 from the General Fund in FY 2019 for the Drought Contingency Program line item. This amount is unchanged from FY 2018.

These monies are to be used for Arizona's financial contributions to efforts by Arizona Colorado River water users to conserve water in Lake Mead to reduce the likelihood of lake elevations dropping to levels that could result in reductions to Arizona's Colorado River allocation. If the water level in Lake Mead drops below 1,075 feet, current agreements mandate a reduction of Arizona share of the waters. By paying other water users to keep their water in the lake, the proposal would help preserve Arizona's Colorado River water allotment.

The monies in this line item are non-lapsing. The FY 2018 General Appropriation Act included 3 years of one-time \$2,000,000 appropriations for FY 2018, FY 2019, FY 2020. As a result of this advance appropriation, the FY 2019 amount will not appear in the FY 2019 General Appropriation Act.

Lower Colorado River Litigation Expenses

The Baseline includes \$500,000 from the Water Resources Fund in FY 2019 for Lower Colorado River Litigation Expenses. This amount is unchanged from FY 2018.

This line item pays the litigation costs associated with the *Navajo Nation v. United States Department of the Interior* case, in which the Department of Water Resources is an intervening defendant. This case involves the Navajo Nation's claims to water from the Lower Colorado River and challenges operations that were put in place after the initial lawsuit was filed in 2003. The Navajo Nation filed an amended complaint on June 3, 2013 to begin litigating the case. As of December 2017, the litigation continues.

Rural Water Studies

The Baseline includes \$1,154,100 and 11 FTE Positions from the General Fund in FY 2019 for Rural Water Studies. FY 2019 adjustments are as follows:

Remove Health Insurance Adjustment

The Baseline includes a decrease of \$(13,900) from the General Fund in FY 2019 for the removal of a one-time FY 2018 health insurance adjustment.

This line item funds the department's administration, data collection, and evaluation of rural water studies. The monies are also used to provide assistance to local

communities to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's AMAs. The current AMAs are Prescott, Phoenix, Pinal, Tucson, and Santa Cruz.

These studies are administered, in most cases, through partnerships with local resource agency officials and stakeholders. Partnerships generally require local entities to provide some resources to match General Fund receipts, although if a community has a significant need the department can waive this requirement. The studies are primarily conducted by the local entity, with the department providing technical advice and financial assistance. The Department is currently involved in 9 studies.

Arizona Water Protection Fund Deposit

The Baseline includes \$250,000 from the General Fund in FY 2019 for the Arizona Water Protection Fund Deposit line item. This amount is unchanged from FY 2018.

The Water Protection Fund provides grants for projects that protect water quality and quantity, as well as to maintain, enhance and restore rivers, streams, and associated riparian habitats. The Water Protection Fund Commission reviews grant applications and determine annual recipients.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Monies in the Adjudication Support line item may be used only for the exclusive purposes prescribed in A.R.S. § 45-256 and A.R.S. § 45-257B4. The Department of Water Resources may not transfer any monies into or out of the Adjudication Support line item.

Monies in the Assured and Adequate Water Supply Administration line item may be used only for the exclusive purposes prescribed in A.R.S. § 45-108 and A.R.S. § 45-576 through A.R.S. § 45-579. The Department of Water Resources may not transfer any monies into or out of the Assured and Adequate Water Supply Administration line item.

This appropriation from the Lower Colorado River Litigation Expenses line item is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

The Department of Water Resources may not transfer any monies from the Lower Colorado River Litigation Expenses line item without prior review by the Joint Legislative Budget Committee.

It is the intent of the Legislature that monies in the Rural Water Studies line item be spent only to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's Active Management Areas and not be made available for other department operating expenditures.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to allow the department's Water Protection Fund Commission to spend up to \$336,000 on administrative functions from their unobligated balances in FY 2019.
- As session law, continue to allow the Director to maintain prior year fees in FY 2019 with the provision that the fee revenue be deposited in the Water Resources Fund with the intent that the fees are not to exceed \$100,200.

SUMMARY OF FUNDS	FY 2017 Actual	FY 2018 Estimate
Administrative Fund (WCA3025/A.R.S. § 45-113)		Non-Appropriated
Source of Revenue: A portion of application, certificate, license, permit and inspection fees.		
Purpose of Fund: To cover the costs of administrative services and expenses.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Assured and Adequate Water Supply Administration Fund (WCA2509/A.R.S. § 45-580)		Appropriated
Source of Revenue: Fees for applications relating to adequate and assured water supply regulations for newly-created subdivisions.		
Purpose of Fund: To support the costs and expenses incurred when determining and declaring compliance with assured and adequate water supply regulations.		
Funds Expended	0	266,800
Year-End Fund Balance	567,300	437,000
Augmentation and Conservation Assistance Fund (WCA2213/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in Active Water Management Areas (AMA).		
Purpose of Fund: Generally, to support water supply augmentation projects, such as groundwater recharge, as well as AMA conservation programs. By law, each AMA has its own subaccount within the fund. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid.		
Funds Expended	694,300	920,000
Year-End Fund Balance	2,055,500	2,694,300
Colorado River Water Use Fee Clearing Account (WCA2538/A.R.S. § 45-333)		Non-Appropriated
Source of Revenue: Fees assessed to those who divert and consume water from the mainstream of the Colorado River.		
Purpose of Fund: Monies are transferred to the Lower River Multispecies Conservation Program.		
Funds Expended	18,000	7,000
Year-End Fund Balance	3,500	0
Dam Repair Fund (WCA2218/A.R.S. § 45-1212.01)		Non-Appropriated
Source of Revenue: Legislative appropriations, dam safety inspection fees, and filing fees.		
Purpose of Fund: Generally, to offer loans and grants for private dam owners to make non-emergency repairs, and for program operations.		
Funds Expended	500	1,502,000
Year-End Fund Balance	4,414,300	2,852,300

SUMMARY OF FUNDS	FY 2017 Actual	FY 2018 Estimate
Federal Grants (WCA2000/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants from the federal government.		
Purpose of Fund: To support water protection, rural water studies, and water banking initiatives, as well as certain operating expenses.		
Funds Expended	312,500	253,100
Year-End Fund Balance	815,700	902,400
Flood Warning System Fund (WCA1021/A.R.S. § 45-1503)		Non-Appropriated
Source of Revenue: Legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To develop a flood warning system, purchase flood warning equipment, and provide assistance to local entities on a cost sharing basis for the planning, design, installation, operation, and maintenance of flood warning systems.		
Funds Expended	1,400	42,000
Year-End Fund Balance	385,100	359,100
General Adjudications Fund (WCA2191/A.R.S. § 45-260)		Non-Appropriated
Source of Revenue: Court fees paid by water claimants and from legislative appropriations.		
Purpose of Fund: To cover postage and other costs of serving legal notices to water rights claimants and of publicizing court proceedings. Also to remit filing fees to the courts.		
Funds Expended	12,200	24,000
Year-End Fund Balance	30,700	15,700
Indirect Cost Recovery Fund (WCA9000/A.R.S. § 45-104)		Non-Appropriated
Source of Revenue: Cost allocation transfers of federal and other non-appropriated funds.		
Purpose of Fund: To provide various indirect administrative services, including security and cashing.		
Funds Expended	92,600	95,600
Year-End Fund Balance	1,828,600	2,413,300
Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collections from other state and local agencies.		
Purpose of Fund: To pay for projects based upon interagency service agreements with other agencies.		
Funds Expended	189,600	230,000
Year-End Fund Balance	565,900	566,900
Production and Copying Fund (WCA2411/A.R.S. § 45-115)		Non-Appropriated
Source of Revenue: From monies received for department publications and for copies of department records. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To produce and distribute department publications, as well as to copy department records.		
Funds Expended	10,600	4,000
Year-End Fund Balance	9,500	7,500
Publication and Mailing Fund (WCA2410/A.R.S. § 45-116)		Non-Appropriated
Source of Revenue: From monies received for the publication and mailing of legal notices as required by law. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To publish and mail legal notices.		
Funds Expended	2,100	2,000
Year-End Fund Balance	7,100	10,100

SUMMARY OF FUNDS	FY 2017 Actual	FY 2018 Estimate
Purchase and Retirement Fund (WCA2474/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in AMAs.		
Purpose of Fund: To purchase and retire grandfathered groundwater rights, those entitlements legally owned or used before the creation of an AMA in a given area. By law, each AMA has its own subaccount within the fund.		
Funds Expended	0	100
Year-End Fund Balance	139,700	140,600
Statewide Donations Fund (WCA2025/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants, gifts or donations of money or other property from any source.		
Purpose of Fund: Funds may be used for any purpose consistent with the duties and powers of the Director of the Department of Water Resources as described in statute.		
Funds Expended	5,500	280,400
Year-End Fund Balance	218,300	212,700
Water Banking Fund (WCA2110/A.R.S. § 45-2425)		Partially-Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users. Revenue also comes from a portion of the 4% property tax collected by CAWCD to pay for water storage. By law, each AMA has its own subaccount within the fund. This fund operates on the calendar year. Because fees and taxes are collected at the end of the fiscal year, the Year-End Fund Balances are not reflective of the calendar year-end balances. Appropriations from this fund may include monies received through agreements with Nevada.		
Purpose of Fund: To purchase and store the unused portion of Arizona's Colorado River water allotment. The department provides administrative support for this fund, but control of expenditures is vested with AWBA. In addition, pursuant to an interstate water banking agreement with Nevada, to obtain, store, and retrieve water for Nevada.		
Appropriated Funds Expended	0	1,211,400
Non-Appropriated Funds Expended	18,278,100	4,341,500
Year-End Fund Balance	3,817,700	2,384,800
Water Protection Fund (WCA1302/A.R.S. § 45-2111)		Non-Appropriated
Source of Revenue: From purchases or leases of CAP water. Laws 2016, Chapter 117 appropriated \$250,000 from the General Fund to the Water Protection Fund, and the FY 2018 budget makes this an ongoing appropriation.		
Purpose of Fund: To provide grants for projects that protect water quality and quantity, as well as to maintain, enhance, and restore rivers, streams, and associated riparian habitats. The Water Protection Fund Commission reviews grant applications and determines annual recipients. The department provides administrative support for this fund, but control of expenditures is vested with the commission. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid. The FY 2018 Environment Budget Reconciliation Bill (Laws 2017, Chapter 308) allows the Water Protection Fund Commission to spend up to \$336,000 on administrative functions out of their unobligated balances in FY 2018.		
Funds Expended	506,800	576,500
Year-End Fund Balance	1,445,400	1,113,900
Water Quality Fund (WCA2304/A.R.S. § 45-618)		Non-Appropriated
Source of Revenue: From annual Water Quality Assurance Revolving Fund (WQARF) transfers negotiated with the Arizona Department of Environmental Quality (ADEQ), as well as from legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To inspect wells for groundwater contamination and to take appropriate remedial action on contaminated wells. Inspections are done in conjunction with the ADEQ WQARF program.		
Funds Expended	104,900	134,800
Year-End Fund Balance	540,200	540,200

SUMMARY OF FUNDS	FY 2017 Actual	FY 2018 Estimate
Water Resources Fund (WCA2398/A.R.S. § 45-117)		Appropriated
Source of Revenue: Consists of monies from legislative appropriations, donations, and fees collected by ADWR to carry out its statutory functions, as well as existing fees that had been deposited into the General Fund. The FY 2018 Environment Budget Reconciliation Bill (Laws 2017, Chapter 308) allows the director to maintain prior year fees and requires that these revenues be deposited into the fund with the intent that the fee increases do not exceed \$100,200.		
Purpose of Fund: Fees deposited in the Water Resources Fund are to be held in trust and only used to carry out its statutory responsibilities, including managing the state's water supplies, enforcing groundwater laws, and representing the state's water rights.		
Funds Expended	608,700	641,400
Year-End Fund Balance	3,640,500	3,416,600
Well Administration and Enforcement Fund (WCA2491/A.R.S. § 45-606)		Non-Appropriated
Source of Revenue: Well-drilling filing and permit fees.		
Purpose of Fund: To monitor, investigate, and enforce regulations concerning the construction, replacement, deepening, and abandonment of wells, as well as the capping of open wells.		
Funds Expended	70,900	69,900
Year-End Fund Balance	939,700	1,297,800